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CENTRAL INTELLIGENCE AGENCY

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1. In 1952, the Ministry of Engineering issued directives under the common heading "Technological Discipline" to which all enterprises subordinate to the ministry were expected to comply. Some of the directives set up maximum delivery periods for various types of machines. These delivery periods were not to be exceeded as long as the machine was of a standard design, i.e., as long as it conformed to the description given in the catalog. According to other directives, the plant's manager had to sign each individual set of blueprints. In cases of important machinery the sets of blueprints had to be signed by the minister. This was true, for instance, in the case of MEZ Vsetin's main DC generators and motors, type MR 8092-10, which were built for river passenger ships ordered by the USSR.¹ It appeared that the ultimate goal of these directives was to prevent the designers from making subsequent modifications in the design -- modifications which in turn might cause a delay in production.
2. A practice was initiated in 1952 which indicated that in cases of important deliveries, so-called "economic agreements" were concluded between the supplier and the customer and/or between the supplier and his various sub-suppliers. In the event of non-fulfillment of deliveries, the dispute was submitted to a permanent arbitration board established at the Ministry of Engineering. The party found guilty had to pay penalties. In cases where the parties could not agree on the terms of the delivery, with the result that no economic agreement could be concluded, either party might call upon the assistance of the permanent arbitration board. The board decided the terms of delivery and stipulated the "economic agreement" which then bound both parties concerned. In these cases the "economic agreement", of course, lost the character of a true agreement since it lacked the mutual free consent of the two parties. The usual practice was that a customer called on the arbitration board because he wanted the goods to be delivered in a shorter period of time than that offered him by the supplier. As a matter of fact, the customer was usually backed by the ministry because the ministry preferred, in general, short delivery periods and/or had an interest in that particular delivery. Consequently, the arbitration board stipulated an "economic agreement" in favor of the customer. As a result, the supplier often had to agree to a delivery period which he realized in advance was impossible for him to meet. It was obvious that the ministry used the "economic agreement" as a means of ordering an enterprise to accept a particular order and to fulfill it under such terms as desired by

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the ministry. During 1953 MEZ Vsetin had several arbitrations in one week. In addition to the "economic agreements" the ministry used Party channels, the so-called "procedure along the Party line", to impose its desires in cases of particular deliveries. Source believed there were no direct official channels for accomplishing this purpose as of late summer 1954.

3. The Ministry of Engineering issued a circular in 1953 which stated that deliveries to the Western countries were to receive priority over deliveries to the USSR and so-called "state deliveries", i.e., deliveries which, source believed, were important for the defense potential of the state. Source stated that in spite of the instructions given in the circular, Czechoslovakia could not compete with Western firms in the field of strong-current machinery and large apparatus because Czechoslovak delivery periods were too long. The only possible exception might be small induction motors of standard design. These were produced on conveyor belts by the MEZ plant in Mohelnice (N 49-47, E 16-55).



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